CHAPTER 8 — AMOUNT OF INSURANCE

800 Amount of Insurance

All five levels of employee life insurance (Basic, Supplemental, Additional, Age 70 and Over Additional, and Spouse and Dependent) are available to state employees. The amount of coverage available to local government employees depends on which plans the employer has filed a resolution to offer.

A. Basic and Supplemental

The Basic and Supplemental insurance plans each provide coverage equal to one times WRS calendar year earnings, rounded to the next higher $1,000. The WRS calendar year earnings are the earnings reported to the WRS by the employer for the previous calendar year (Wis. Stat. 40.72(1)).

B. Additional and Age 70 and Over Additional

The Additional plan, and Age 70 and Over Additional plan provide coverage of up to three times WRS earnings, rounded to the next higher $1,000. State employees are eligible for all three units of Additional coverage. Local governments can offer one, two, or three units of Additional coverage. Active employees may apply for Age 70 and Over Additional coverage prior to their 70th birthday, if offered by their employer. (See Subchapter 406.)

C. Spouse and Dependent

Eligible employees may elect one or two units of coverage. (See Subchapter 405 to determine eligibility for Spouse and Dependent coverage.) As the beneficiary, the employee will receive for each unit of coverage:

1. $10,000 in the event of the death of a legal spouse.

2. $5,000 in the event of the death of a dependent.

D. Coverage Amounts for Active Employees Age 70 and Over

As long as active employment continues, there is no reduction in coverage until age 70. When an active employee reaches age 70, the Supplemental, Additional and Spouse and Dependent coverages terminate. Basic coverage automatically continues at the reduced amount. (See Subchapter 300.) No further premiums are due for the post-age-70 Basic coverage.

801 Estimating Coverage Amounts for New Employees

For a newly eligible employee who has not been covered under the WRS for the full previous calendar year by his or her present employer, the insurance amount is based on an estimate of his or her WRS earnings at the time coverage is effective, projected on an annual basis. Be sure to include all earnings that are reportable to the WRS such as supplemental or "add-on" salary when estimating the coverage amount.

A. If a <u>full-time employee has been hired at a monthly salary rate</u>, multiply that rate by 12 to estimate the annual earnings.

EXAMPLE: Employee's monthly earnings are $1,550.
$1,550 x 12 months = $18,600 annual earnings.
Amount of insurance is $19,000.

B. If a <u>full-time employee has been hired at an hourly rate</u>, multiply that rate by 2,080 hours to estimate the annual earnings.

EXAMPLE: A full-time employee's hourly earnings are $10.
The employee is expected to work 2,080 hours per year.
$10 x 2,080 hours = $ 20,800 annual earnings.
Amount of insurance is $21,000.

C. If an <u>employee has been hired for less than full time</u>, base the estimate on the number of hours they are scheduled to work.

EXAMPLE: A part-time employee's hourly earnings are $6.
The employee is expected to work 1,040 hours per year.
$6 x 1,040 hours = $6,240 annual earnings.
Amount of insurance is $7,000.

D. Coverage for an employee hired for a specified contract period is based on a projection of the employee's annual contract amount.

EXAMPLE: A teacher's contract salary for the 2001/2002 school year is $52,000.
Amount of insurance is $52,000

E. <u>Earnings that the employee may have had from another WRS employer</u> are not relevant to determining coverage at a new employer. Each local employer is a <u>separate</u> employer. The State, including all agencies, is one employer for this purpose.

EXAMPLE 1 (Local Employer)

A police officer making $65,000 in one city leaves to become the police chief of a different city making $79,000 per year. The insurance amount is based on the estimated amount of $79,000.

EXAMPLE 2 (State Agency)

An employee making $65,000 at a state agency who transfers to another state agency where the employee will be making $75,000 will continue the insurance amount of $65,000 until the January 1 following the transfer.

F. The <u>estimated amount of coverage will remain in effect</u> until the employee has been covered under the WRS <u>for a full calendar year</u>, at which time the employee's calendar year earnings as reported to WRS (W-2 earnings for private pension employees), rounded to the next higher $1,000, becomes the insurance amount. Coverage cannot be continued at a higher amount if that higher amount is based on an estimate.

EXAMPLE: If an employee's coverage amount of $23,000 in 2001 was based on estimated earnings of $22,500, and his 2001 actual earnings were only $21,500, coverage will reduce to $22,000 effective January 1, 2002.

802 Other Considerations When Determining Coverage Amounts

A. Private Pension

Coverage for employees of private pension employers is based on W-2 earnings from the previous year.

B. Retroactive Contract Settlements

Contract settlements sometimes involve the payment of retroactive earnings. For WRS purposes, retroactive payments must be allocated to the year in which payment would have been made had the contract been settled timely. For example, if payments were made in 2001 affecting earnings in 2000 due to contract settlements, labor negotiations, etc., any amounts paid for 2000 must be deducted from the 2001 earnings entered/reported on the renewal census request.

C. Workers Compensation

When an employee receives Worker's Compensation benefits for any period of temporary disability, the amount that he or she would have received had the disability not occurred is the amount reported as WRS earnings. WRS earnings must be reported at the rate that would have been paid, if the disability had not occurred, including any adjustments in the rate. These WRS earnings determine insurance coverage amounts.

D. Reduction in WRS Earnings

If an employee's earnings as reported to WRS fall below the actual earnings used as basis of coverage in that year, the coverage will be continued at the higher amount automatically, unless the employe elects to reduce the coverage amount. See Subchapter 804.

EXAMPLE: An employee's coverage in 2001 is based on 2000 actual earnings of $22,500 or $23,000 in coverage. The employee's 2001 earnings as reported to WRS were only $21,500 or $22,000 in coverage. Since the employee's coverage in 2001 was based on actual 2000 earnings, his coverage will remain at $23,000 automatically.

Adjustments in coverage amounts for both state and local government employees are effective January 1 based on the prior calendar year earnings. Premium changes occur in the March coverage month for state employees and the July coverage month for local government employees.

803 Employee Coverage During Periods of No Earnings

Employees may continue their insurance coverage for up to 36 months while they are off work for any reason, provided the required premiums are paid.

A. Leaves of Absence or Layoffs (See also Subchapters 501 and 502.)

Available Coverage: An insured employee may continue their group life insurance coverage during an approved leave of absence or layoff for up to 36 months. Insurance coverage may be continued beyond 36 months if the approved leave is a union service leave (Wis. Stats. §§ 40.02(56) and 40.03 (6) (g)).

The amount of insurance during the leave of absence or layoff remains the same as that in effect immediately preceding the leave of absence or layoff. The employee may choose to cancel Supplemental or Additional levels of coverage; however, if they return to active employment with the same employer, they may not again enroll in those levels of coverage unless they apply through evidence of insurability.

Insurance coverage may not be continued for more than 60 days during leave to serve in the military forces of any nation at war, declared or undeclared. However, this limitation is not effective until the Group Insurance Board declares a fact of war.

Employees on an unpaid leave or layoff at the time when they become initially eligible for coverage (or eligible for additional types of coverage) will have that eligibility suspended until they return to work. An application for initial coverage or additional coverage may be filed within 30 days of returning to work from unpaid leave or layoff.

Employee Premium: Employee premiums must be paid in advance for periods of at least three months, and each payment must be received by the employer prior to the end of the period for which premiums had previously been paid.

Premiums will change if the Group Insurance Board approves a rate increase or decrease while an employee is on leave of absence or layoff, or if the employee moves into a higher age group. Notification of change in rates is provided to employers in an *Employer Bulletin*. Employers must take responsibility to notify employees of all rate changes due to age group change or annual premium change.

Employer Premium: The employer must continue to pay the required employer contributions during the leave or layoff as long as the employee continues to make premium payments.

B. Summer Vacations

Available Coverage: An insured employee who is employed during a normal school year period is considered to be in employee status during the summer vacation, and insurance coverage that was in effect during the school year will continue during the summer vacation. Summer vacation, as defined in Wis. Admin. Code ETF 10.01(6), means the time in the summer months between the end of the regular school term of the school system in which an employee was last employed and the beginning of the next regular term of such system.

Continuation of coverage for summer vacation and remittance of premiums are not mandatory for teachers who have not renewed their contract with the school system, but may be continued at the discretion of the employer. However, an employee's eligibility to continue their insurance coverage as an active employee is terminated on the date an application for a retirement benefit is received by the WRS.

Employee Premium: The employee's share of the premium for each month or portion of a month which falls within the summer vacation is paid to the employer either in advance or on a monthly basis.

Employer Premium: The employer must continue to pay the required employer contributions during the summer vacation as long as the employee continues to make premium payments.

C. Appeals from Removal or Discharge

An insured employee, who exercises a statutory right to appeal within 30 days of removal or discharge, may continue to be insured after the date the employee is notified of the contested removal or discharge.

If the appeal determination is adverse to the employee, the employment termination date, for the purpose of termination of the employee's insurance, is the last day of the month the determination becomes final. "Final" means the expiration, without appeal, of the time within which an appeal might have been perfected, or the final affirmation on appeal.

Employee Premium: The initial payment, due within 30 days of the date of the removal or discharge, must cover the premium due for a minimum three month period, but may cover a longer period if the employee desires. The employee will pay the <u>gross</u> amount due, which includes the normal employee premium and any amount normally considered the employer contribution. The employer must remit this premium with the normal remittance.

If the right of the employee to his or her position or office is upheld, the employer must refund to the employee any amounts paid in excess of the normal employee share.

If the employee's employment and coverage terminate, the employer must refund any premiums paid for any period after the coverage termination date to the employee.

D. Periods of Total and Permanent Disability

Employees who are not receiving earnings because of total and permanent disability may continue to be covered with no further contributions toward the cost. The employer must file a *Life Insurance Disability Premium Waiver* (ET-5306) with ETF in all such cases before premiums are stopped. See Chapter 14 for more details.

804 Election to Reduce Coverage

A. An insured employee may elect to reduce his or her insurance coverage if the following requirements have been met:

1. The employee's calendar year earnings as reported to the WRS (W-2 earnings for private pension employees) have decreased and could result in less coverage than the employee currently has.

2. The employee is actively employed by the same employer.

3. The employee has been actively employed for at least nine months in the last calendar year.

B. The employee <u>must</u> properly complete and sign an *Election to Reduce Amount of Life Insurance* (ET-2309). The employer representative must also sign this form. The election must be filed with the employer in the year following the year in which there was a decrease in earnings, and received by ETF within 60 days of receipt by the employer. See the sample *Election to Reduce Amount of Life Insurance* (ET-2309) in Subchapter 805.

C. The reduced coverage will be effective March 1 for state employees and July 1 for local government employees and will be based on actual earnings in the last calendar year.

D. Coverage automatically increases if the employee's earnings increase in subsequent years. Otherwise, the election remains in effect until the employee either changes employers or files a new election to reduce coverage after a further decrease in earnings.

805 *Election to Reduce Amount of Life Insurance* (ET-2309)

DEPARTMENT OF EMPLOYE TRUST FUNDS
Division of Employer Services
P.O. Box 7931
Madison, Wisconsin 53707-7931

ELECTION TO REDUCE AMOUNT OF LIFE INSURANCE
Wis. Stats. § 40.72 (8)

This election will be effective on the first day of the month on or after the date this form is received by your employer.	Social Security Number
Name (Last, First, Middle, Former – Birth/Married)	Birthdate (MM/DD/CCYY)

NOTICE: Your life insurance coverage amount under the Wisconsin Public Employer's Group Life Insurance Program is based on your Wisconsin Retirement System (WRS) earnings in the previous calendar year, rounded up to the next highest thousand. For example, if your WRS earnings were $19,473 last year, your basic life insurance coverage this year would be $20,000. Every January, your coverage amount is automatically adjusted based on increases in your WRS earnings in the previous year.

As long as you remain insured with the same employer, your coverage amount automatically remains at the highest level you attained in the past, even if your earnings decrease.

However, if your earnings decreased last year, you may choose to reduce the amount of your life insurance coverage accordingly by filing this election form with your employer. Your coverage will then be based on last year's WRS earnings, regardless of any higher annual earnings you may have had in the past.

Beginning next January, your coverage may increase, depending on your WRS earnings this year or in subsequent years. If your earnings decline further in future years, you may reduce your life insurance coverage by filing another election.

Election: I have read the above NOTICE and I understand it. I hereby elect that my coverage under the Wisconsin Public Employer Group Life Insurance shall be based on my Wisconsin Retirement System (WRS) earnings in the most recent calendar year. I voluntarily forfeit my right to the higher amount of coverage for which I would otherwise be eligible, on the basis of WRS earnings in previous years. I understand that this forfeiture, once properly signed and filed with my employer, is irrevocable, and that the amount of my group life insurance coverage in the future will be based on the highest amount for which I become eligible after filing this election.

I understand that Wis. Stats. § 943.395 provide criminal penalties for knowingly making false or fraudulent claims on this form and hereby certify that to the best of my knowledge and belief, the above information is true and correct.

Date (MM/DD/CCYY)	Signature of Employe

Employer: Complete the following section based on the reduced coverage amount and submit this form to the Department of Employe Trust Funds within 60 days of the receipt date.

Employer Receipt Date	Signature of Employer Representative	
Amount of Basic Life Ins. $	Amount of Supplemental Ins. $	Amount of Additional Life Ins. $
Employer Name	Employer Number 69-036-	Calendar Year Earnings on which based

ET-2309 (REV 10/98)